APPENDIX A

Minute Order of the United States District Court for the Northern District of Illinois, Eastern Division - dated March 10, 1999

IN THE UNITED STATES DISTRICT COURT FOR THE NORTHERN DISTRICT OF ILLINOIS EASTERN DIVISION

ISI INTERNATIONAL, INC.	)	
Plaintiff,	)	No. 98 C 7614
V.	)	Suzanne B. Conlon,
SCOTT & AYLEN	)	Judge
Defendant.	)	

ORDER

ISI International, Inc. ("ISI"), an Illinois corporation, sues the law firm of Scott & Aylen for various torts and unfair trade practices arising from Scott & Aylen's involvement in procuring a medical device patent and license for its client, Dr. Bert Reitsma. Scott & Aylen, a Canadian firm, moves to dismiss the action for lack of personal jurisdiction pursuant to Fed. R. Civ. P. 12(b)(2). Alternatively, Scott & Aylen requests that the case be dismissed on *forum non conveniens* grounds.

On a motion to dismiss for lack of personal jurisdiction, the plaintiff carries the burden of proof. Nelson v. Park Industries, Inc., 717 F.2d 1120, 1123 (7th Cir. 1983), cert. denied, 465 U.S. 1024 (1984); Torco Oil Co. v. Innovative Thermal Corp., 730 F.Supp. 126, 128

(N.D.Ill. 1989). A *prima facie* showing of jurisdiction over the defendant will satisfy the burden. O'Hare Int'l Bank v. Hampton, 437 F.2d 1173, 1176 (7th Cir. 1971). In deciding the motion, the court may consider affidavits from both parties. Id. All factual conflicts are resolved in favor of the plaintiff. Deluxe Ice Cream Co. v. R.C.H. Tool Corp., 726 F.2d 1209, 1215 (7th Cir. 1984).

Federal due process and the Illinois Long Arm statute, 735 ILCS 5/2-209, restrict personal jurisdiction to situations where the defendant has "minimum contacts" with the forum state, and the exercise of jurisdiction does not violate "traditional notions of fair play and substantial justice." Asahi Metal Indus. Co. v. Superior Court of California, 480 U.S. 102, 105 (1987). Furthermore, the fiduciary shield doctrine prevents the exercise of personal jurisdiction over an entity whose presence and activity in the forum state was solely on behalf of an employer. Rice v. Nova Biomedical Corp., 38 F.3d 909, 912 (7th Cir. 1994); Rollins v. Ellwood, 141 Ill. 2d 244, 278 (1990). Scott & Aylen's contacts with Illinois occurred at the behest of their client, Dr. Reitsma; the law firm did not conduct business in Illinois for its own benefit. As an agent contacting the forum state on behalf of a client, Scott & Aylen's business transactions with ISI in Illinois are protected by the fiduciary shield doctrine. Scott & Aylen has not availed itself of forum protections, creating no expectation of being haled into Illinois court. World-Wide Volkswagen Corp. v. Woodson, 444 U.S. 286 (1980).

ISI asserts that it was actually Scott & Aylen's client for a period of time because it paid some of the bills incurred in developing its licensing agreement with Dr.

Reitsma. Pl. Resp. at 5. However, payment of bills does not create an attorney-client relationship. Plant Genetic Systems, N.V. v. Ciba Seeds, 933 F. Supp. 514, 517 (M.D.N.C. 1996). Moreover, Scott & Aylen's representations to ISI gave no indication of an attorney-client relationship. ISI retained its own counsel in the matter, as evidenced by correspondence between Scott & Aylen and Roberts & McGivney, ISI's attorneys. Complaint, Ex. S. ISI has not established minimum contacts necessary for personal jurisdiction.

Even if ISI had established personal jurisdiction over Scott & Aylen, the suit should be dismissed on *forum non conveniens* grounds. This doctrine permits a court to decline jurisdiction when litigation could be brought in a more appropriate forum. Gulf Oil Corp. v. Gilbert, 330 U.S. 501 (1947). Dismissal on the basis of *forum non conveniens* requires an alternative forum in which the suit can be prosecuted. Piper Aircraft Co. v. Reyno, 454 U.S. 235 (1981). Because Dr. Reitsma and Scott & Aylen reside in Ontario where the business transactions underlying the suit occurred, the action is more properly prosecuted in an Ontario court. See id. Moreover, the licensing agreement is governed by Ontario law, which is more appropriately applied by a Canadian court. ISI argues an Ontario forum may not be available because the statute of limitations will bar the action, but Scott & Aylen has agreed to waive a statute of limitations defense in an Ontario forum if the suit was timely filed in this court.

/S/
Suzanne B. Conlon

APPENDIX B

Opinion of the United States Court of Appeals for the Seventh Circuit, Dated and Decided July 2, 2001 (also reported at 256 F.3d 548 (7th Cir. 2001)

In the
United States Court of Appeals
For the Seventh Circuit

No. 99-1815

ISI International, Inc.,

Plaintiff-Appellant,

v.

Borden Ladner Gervais LLP, successor to Scott & Aylen, *Defendant-Appellee.*

Appeal from the United States District Court for the Northern District of Illinois, Eastern Division.
No. 98 C 7614--**Suzanne B. Conlon**, Judge.

Argued May 18, 2001 - Decided July 2, 2001

Before Easterbrook, Manion, and Evans, *Circuit Judges.*

Easterbrook, *Circuit Judge.* Bert Reitsma, a physician living in Ontario, invented a device for draining surgical

wounds. He asked Yves Menard, a solicitor at Scott & Aylen (based in Ottawa) to incorporate a firm to exploit this invention. (Scott & Aylen and several other partnerships merged into Borden Ladner Gervais LLP after this suit began; for clarity we retain the "S&A" acronym.) Reitsma also engaged Max Wood, one of S&A's patent agents, to obtain patents for the invention. Wood hired a law firm based in Grand Rapids, Michigan, to prosecute a patent application in the United States. In 1995 Reitsma licensed the worldwide rights to make and sell the invention to ISI Surgical Instruments Canada, Ltd., an Ontario corporation, under a license specifying that disputes would be resolved by Ontario courts under Ontario law. The license did not transfer ownership of the patent applications. The next year ISI International, Inc., an Illinois corporation, acquired all of the shares in ISI Ontario, whose rights under the agreement with Reitsma soon were assigned to ISI International. Reitsma later attempted to end the license. Menard sent letters to ISI International's customers around the world, telling them on behalf of Reitsma that ISI International no longer had any rights in the invention and that to avoid liability for "damages suffered by our client as a result of [your] infringement of [his] patent" they must "cease and desist from dealing in any way with the said product except at the request of our client." This letter twice stated that Reitsma holds a patent on the device, yet S&A well knew that Reitsma had none. (He never received one, either; in September 1997 S&A arranged at Reitsma's request for the abandonment of all pending

applications.) One of these letters went to American Pharmaceutical Partners in California, which dropped ISI International like a hot potato. So did everyone else. Today its principal assets are lawsuits.

One of these, a counterclaim against Reitsma in litigation (No. 97 C 3827) that had been commenced by a recipient of S&A's cease-and-desist letter, led to a judgment in ISI International's favor for almost $290 million plus a declaration that the attempted license cancellation was ineffectual. Reitsma defaulted, but damages still had to be established. After the prove-up Judge Leinenweber wrote a 17-page opinion with extensive findings of fact. The court found that, by striking an agreement with Jokari /US, Inc., for use of a complementary product, Reitsma had disabled himself from unilaterally terminating the license. (Jokari, which has headquarters in Texas, became an investor in ISI International.) The judge also concluded that "shortly after the formation of ISI [International], Reitsma, using his position of trust and authority as an officer and director of ISI [International], embarked on a pattern of intentional criminal conduct to fraudulently convert and embezzle funds from ISI [International] for his personal use." The court found that Reitsma's dealings (through S&A) with the U.S. Patent and Trademark Office, and with ISI International's potential customers, were part of his scheme to defraud. Reitsma did not appeal, but neither did he comply.

The suit now before us is ISI International's second

principal asset. It is against S&A, which appears to be more solvent than Reitsma and certainly is more responsible; it has appeared and litigated in a civilized fashion. Although ISI International's complaint is windy and contains far too many "counts" (as if it were an indictment and each conviction on a separate count authorized additional punishment), it makes only two fundamental claims for relief. One is that S&A violated state and federal law by sending false and misleading letters to ISI International's business partners, causing them to cease dealing with ISI International. We call this the fraud claim. The principal state-law theory depends on the tort of intentional interference with contract (or with prospective economic advantage, for those potential customers that had not yet signed contracts); the federal-law theory depends on sec.43(a)(1)(B) of the Lanham Act, 15 U.S.C. sec.1125(a)(1)(B), which forbids making false or deceptive statements in connection with commercial activities in interstate commerce. ISI International's second claim is that S&A committed malpractice and breached fiduciary duties that it owed to ISI International or its subsidiary ISI Ontario. This claim (which we call the fiduciary claim) depends on establishing that S&A served as counsel to one or both of the firms, as opposed to Reitsma personally.

What S&A wants–and what the district court gave it– is the opportunity to litigate these claims in Canada rather than the United States. Observing that neither Menard nor Wood performed any of the questioned acts in Illinois, S&A contended that the courts of that state

lack personal jurisdiction over it. Because Fed.R.Civ.P. 4(k)(1)(A) links personal jurisdiction in federal cases to the jurisdiction of the state courts, if the state courts may not exercise jurisdiction then neither may the federal courts, on S&A's view, unless a federal statute authorizes nationwide (or worldwide) service of process—which the Lanham Act does not. The district court agreed with this submission, held that S&A lacks "minimum contacts" with the State of Illinois, and added that Illinois would not in any event exercise jurisdiction even if the Constitution permitted it. Illinois employs the fiduciary-shield doctrine, see *Rollins v. Ellwood*, 141 Ill.2d 244, 278, 565 N.E.2d 1302, 1314 (1990), under which a person who enters the state solely as fiduciary for another may not be sued in Illinois. S&A acted only as a fiduciary for Reitsma, the district court concluded, and therefore may not be sued in Illinois. (This conclusion effectively rejected the fiduciary claim on the merits, for if S&A never represented ISI International or ISI Ontario it had no fiduciary duties to them.) The district court added that even if Illinois could exercise personal jurisdiction over S&A, the suit still would be dismissed on the ground of *forum non conveniens*. Ottawa is a superior location for this litigation, the judge wrote.

The premise of the district court's opinion, and of the parties' appellate briefs, is that if the state courts in Illinois would not exercise personal jurisdiction over S&A, then federal courts may not do so. That premise is false. The due process clause protects persons from

being haled into a court unless they have "minimum contacts" with the sovereign that established that court. See *Asahi Metal Industry Co. v. Superior Court of California*, 480 U.S. 102 (1987); *Helicopteros Nacionales de Colombia, S.A. v. Hall*, 466 U.S. 408 (1984); *World-Wide Volkswagen Corp. v. Woodson*, 444 U.S. 286 (1980). The jurisdiction whose power federal courts exercise is the United States of America, not the State of Illinois. So far as the Constitution is concerned, the right question is whether S&A has contacts with the United States-- s it plainly does. No matter what one makes of the fiduciary claim (which if valid would link S&A to Illinois) or the fact that the letters sent to ISI International's business partners led to financial loss in Illinois (see *Janmark, Inc. v. Reidy*, 132 F.3d 1200 (7th Cir. 1997), a case that the district court did not mention), S&A cannot dodge the fact that it sent to California (using the United States Postal Service) a letter that had economic consequences in the United States. It engaged a law firm in Michigan; at S&A's instructions this firm first filed, and then abandoned, a patent application at the United States Patent and Trademark Office. Judge Leinenweber found that these acts caused multi-million-dollar losses in the United States. They expose S&A to the jurisdiction of the United States of America, which may exact sanctions if S&A's conduct violated the law. The threshold question thus is whether the federal court in Illinois has been authorized to exert the full power of the nation. Some federal statutes do this, and do so constitutionally. See, *e.g.*, *Sheet Metal Workers' National Pension Fund v. Elite Erectors, Inc.*, 212 F.3d 1031, 1035-36

(7th Cir. 2000) (collecting cases). The Lanham Act does not. But Fed.R.Civ.P. 4(k)(2) adds that in such situations:

> If the exercise of jurisdiction is consistent with the Constitution and laws of the United States, serving a summons or filing a waiver of service is also effective, with respect to claims arising under federal law, to establish personal jurisdiction over the person of any defendant who is not subject to the jurisdiction of the courts of general jurisdiction of any state.

This provision, added in 1993, responds to the Supreme Court's suggestion that the rules be extended to cover persons who do not reside in the United States, and have ample contacts with the nation as a whole, but whose contacts are so scattered among states that none of them would have jurisdiction. See *Omni Capital International v. Rudolf Wolff & Co.*, 484 U.S. 97, 111 (1987). See also Charles Alan Wright & Arthur R. Miller, 4A *Federal Practice and Procedure* sec.1124 (2000 pocket part). Thus if as S&A insists (and the district court held) S&A is not subject to the jurisdiction of state courts in Illinois, and *also* is "not subject to the jurisdiction of the courts of general jurisdiction of any state", then this suit may proceed, for jurisdiction in federal court is "consistent with" the Constitution and the Lanham Act.

Although the parties did not alert the district judge to Rule 4(k)(2), and ISI International did not rely on that rule in its appellate brief, it is best to excuse the

forfeiture. Federal courts are entitled to apply the right body of law, whether the parties name it or not. See *Kamen v. Kemper Financial Services, Inc.*, 500 U.S. 90, 99 (1991); *United States National Bank of Oregon v. Independent Insurance Agents of America, Inc.*, 508 U.S. 439, 445-48 (1993). What is more, federal courts are supposed to do what they can to avoid making constitutional decisions, and strive doubly to avoid making unnecessary constitutional decisions. S&A wants us to make a constitutional decision about the limits the due process clause of the fourteenth amendment imposes on state courts, and-- if we follow *Janmark* and hold that the Constitution would allow Illinois to entertain the suit--to rule that the Constitution of Illinois independently would preclude personal jurisdiction. Such decisions are hypothetical in federal cases, forced on courts by Rule 4(k)(1)(A) because it limits jurisdiction to what state courts would exercise. But the constitutional excursion can be avoided by using Rule 4(k)(2), which recognizes the greater powers of the United States as a whole.

Now one might read Rule 4(k)(2) to make matters worse by requiring 51 constitutional decisions: The court must first determine that the United States has power and then ensure that none of the 50 states does so. The constitutional analysis at the federal level is unavoidable but usually simple (as in this case). Constitutional analysis for each of the 50 states is eminently avoidable by allocating burdens sensibly. A defendant who wants to preclude use of Rule 4(k)(2) has only to name some

other state in which the suit could proceed. Naming a more appropriate state would amount to a consent to personal jurisdiction there (personal jurisdiction, unlike federal subject-matter jurisdiction, is waivable). If, however, the defendant contends that he cannot be sued in the forum state and refused to identify any other where suit is possible, ten the federal court is entitled to use Rule 4(k)(2). See *Central States Pension Fund v. Reimer Express World Corp.*, 230 F.3d 934, 940 (7th Cir. 2000). See also *United States v. Swiss American Bank, Ltd.*, 191 F.3d 30, 40-42 (1st Cir. 1999). This procedure makes it unnecessary to traipse through the 50 states, asking whether each could entertain the suit. (Employing Rule 4(k)(2) *also* enables us to avoid the questions whether S&A really was ISI International's lawyer and whether the fiduciary-shield doctrine used by Illinois applies to organizations, such as partnerships, or only to natural persons.)

ISI International did not rely on Rule 4(k)(2), but S&A's appellate lawyer was ready for the questions asked during the oral argument. When the court inquired whether S&A would be subject to personal jurisdiction in any other state (California, for example), counsel was noncommittal. More discovery would be needed, counsel suggested. But S&A does not need discovery to learn *its own acts*. Nor is it apparent how more facts could contribute to resolution of the question. S&A had it within its power to knock out Rule 4(k)(2) by agreeing that it is subject to personal jurisdiction in some other state. It proved unwilling to

do so. We therefore conclude that under Rule 4(k)(2) jurisdiction is proper in the United States District Court for the Northern District of Illinois.

The fiduciary-shield doctrine, as a creation of state law regulating the limits of process in their own courts, does not apply when jurisdiction rests on Rule 4(k)(2). Federal courts could create the doctrine as a matter of federal common law, but it would be unsound to do this. So S&A's able appellate lawyer conceded, and we think the concession prudent. Applied at the state level, the fiduciary-shield doctrine is a venue rule. It requires suit against a fiduciary to proceed in the fiduciary's home state. See *Hardin Roller Corp. v. Universal Printing Machinery, Inc.*, 236 F.3d 839 (7th Cir. 2001); *In re Mahurkar Double Lumen Hemodialysis Catheter Patent Litigation*, 750 F. Supp. 330 (N.D. Ill. 1990). State courts transfer venue to other states by dismissing the suit, which induces the plaintiff to file elsewhere. Federal courts, by contrast, transfer venue to district courts in other states expressly, using 28 U.S.C. sec.1404(a). When jurisdiction is based on Rule 4(k)(2), however, it is impossible (by definition) to send the litigation to another state. Even if (as we doubt) it would be within judicial authority to displace sec.1404(a) in his manner, the fiduciary-shield doctrine would remain a misfit. The only option would be to declare that no federal court in the United States could exercise jurisdiction, a step that would be at odds with Rule 4(k)(2). So we hold that, when personal jurisdiction rests on Rule 4(k)(2), there is no fiduciary-shield doctrine. Its legitimate function is

served by the doctrine of *forum non conveniens*, to which we turn.

The district court's discussion of this doctrine was cursory. The judge stated that S&A is amenable to suit in Ontario and added that because Ontario is "where the business transactions underlying the suit occurred, the action is more properly prosecuted in an Ontario court." Although the district judge cited *Piper Aircraft Co. v. Reyno*, 454 U.S. 235 (1981), and *Gulf Oil Corp. v. Gilbert*, 330 U.S. 501 (1947), the leading authorities on forum non conveniens in federal litigation, she did not employ the analysis required by those cases. Both *Gulf Oil* and *Piper Aircraft* state that there is a strong preference for conducting the litigation in the plaintiff's chosen forum, and that only rare circumstances make honoring this choice inequitable. "[U]nless the balance is strongly in favor of the defendant, the plaintiff's choice of forum should rarely be disturbed." *Gulf Oil*, 308 U.S. at 508. The only consideration articulated by the district court—that "the business transactions underlying the suit occurred" in Ontario, not only is not particularly compelling on the equitable scale but also is not true. Although S&A's acts were accomplished in Ontario, the "business transactions" are worldwide: ISI International of Illinois acquired ISI Ontario, took an assignment from a Dutch physician living in Ottawa who had a patent firm from Michigan working on the case, made a deal with a Texas corporation (Jokari) for cooperative production, and was negotiating to license worldwide. The tripartite Jokari-Reitsma-ISI Ontario agreement that

ISI International acquired was signed in Texas and contains a Texas choice-of- aw clause. The solicitors from Ontario sent letters to California (and some foreign nations) concerning these transactions. It may be that Ottawa remains the most sensible place to litigate, but we are not confident that the district judge has thought this through. Her invocation of *forum non conveniens* appears to be an afterthought in an order dominated by attention to personal jurisdiction.

Certainly many witnesses and documents can be found in Ottawa, though other witnesses and documents are located in California, Illinois, and Texas. The license between Reitsma and ISI Ontario contains forum-selection and choice-of-law clauses that make Ottawa the right place for litigation about the license–but neither the fraud claim nor the fiduciary claim rests on the license. Certainly the Lanham Act claim seems at home in a U.S. court. S&A points out that it has already initiated a declaratory-judgment action in Ottawa concerning its dispute with ISI International, making that a good forum, to which ISI International replies that it has already won $290 million and a declaratory judgment against Reitsma in the Northern District of Illinois, and it wonders why that forum is not suitable for related claims against S&A. ISI International adds that Ontario Rule of Civil Procedure 36.01 introduces a complication: compulsory process for conducting discovery depends on leave of the judge, while compulsory process in the United States is more mechanical. ISI International is concerned that if the

litigation proceeds in Ontario it may not be able to depose witnesses who live in the United States. Perhaps there is an answer to this concern, but it is not a subject that the district court considered. *Forum non conveniens* is a doctrine requiring the sound exercise of equitable discretion, and that discretion belongs to the district judge rather than to us. The best course, therefore, is to remand the case so that, fully cognizant of the competing interests, the district judge may exercise the discretion she possesses.

Vacated and Remanded

APPENDIX C

Order of the United States Court of Appeals for the Seventh Circuit - dated August 10, 2001

United States Court of Appeals

For the Seventh Circuit
Chicago, Illinois 60604

August 10, 2001

Before

Hon. Frank H. Easterbrook, Circuit Judge

Hon. Daniel A. Manion, Circuit Judge

Hon. Terence T. Evans, Circuit Judge

ISI International, Inc., United	)	Appeal from the
Plaintiff-Appellant,	)	States District Court
	)	for the Northern
No. 99-1815 v.	)	District of Illinois,
	)	Eastern Division.
Borden Ladner Gervais LLP,	)	
successor to Scot/t & Aylen,	)	No. 98 C 7614
Defendant-Appellee.	)	Suzanne B. Conlon,
	)	Judge.

Order

The original defendant in this case was Scott &

Aylen, a partnership. Our opinion named Borden Ladner Gervais, LLP, as the defendant in light of counsel's representation that Scott & Aylen had "merged" into Borden Ladner Gervais.

Borden Ladner Gervais now has asked us to restore Scott & Aylen as the defendant. According to a letter dated July 20, 2001, Scott & Aylen "continues to exist" despite the merger. The court then issued an order asking for details.

Borden Ladner Gervais's second letter, dated August 2, contends that Scott & Aylen's appellate brief erred in stating that the partnerships had merged. Instead, Borden Ladner Gervais asserts, it simply purchased assets of its predecessors and did not assume any of their potential liabilities. This letter also (though implicitly) admits that the first letter erred in stating that Scott & Aylen "continues to exist." A partnership dissolves automatically when all of the partners quit (and in some jurisdictions when any partner leaves). Borden Ladner Gervais informs us that Scott & Aylen's insurance continues to exist, and would be available to satisfy any judgment entered in this case, but an insurance policy differs from Scott & Aylen as an entity.

It is therefore impossible to restore Scott & Aylen as the defendant, as Borden Ladner Gervais requests. That partnership no longer exists. It might be possible to replace Borden Ladner Gervais with all of Scott & Aylen's former partners, as individuals, for partners are

jointly liable for a partnership's debts. Whether to take such a step should be left to the district court. Similarly it should be understood that our action in replacing Scott & Aylen with Borden Ladner Gervais as the defendant does not imply that Borden Ladner Gervais has assumed any of Scott & Aylen's liabilities. It serves for now only as a placeholder. If it wants to be dismissed, it should (a) demonstrate to the district judge's satisfaction that it did not assume Scott & Aylen's liabilities, and (b) ensure that all of Scott & Aylen's former partners are substituted as defendants.

APPENDIX D

MEMORANDUM OPINION AND ORDER of the United States District Court for the Northern District of Illinois, Eastern Division - dated October 30, 2001

IN THE UNITED STATES DISTRICT COURT FOR THE NORTHERN DISTRICT OF ILLINOIS EASTERN DIVISION

ISI INTERNATIONAL, INC. Plaintiff,	)	No. 98 C 7614
v.	)	Suzanne B. Conlon,
BORDEN LADNER GERVAIS, LLP	)	Judge
Defendant.	)	

MEMORANDUM OPINION AND ORDER

ISI International, Inc. ("ISI") sues Borden Ladner Gervais, LLP ("Borden Ladner") for violations of the Lanham Act, 15 U.S.C. § *1051 et seq.* (Count I), common law unfair competition (Count II), tortious interference with contractual relations (Count III), and professional malpractice and breach of fiduciary duty (Count IV). Borden Ladner moves to dismiss the complaint under the doctrine of *forum non conveniens*, lack of personal jurisdiction under Fed.R.Civ.P. 12(b)(2), and failure to state a claim under Fed.R.Civ.P.12(b)(6). Borden Ladner seeks dismissal as a defendant and substitution of the former partners of Scott & Aylen (collectively "Scott & Aylen") under Fed.R.Civ.P. 21 and 25(c). In anticipation of substitution, Scott & Aylen moves to dismiss the

complaint on similar grounds. ISI responds to those motions, and alternatively moves to strike the motions on various procedural grounds under Fed.R.Civ.P. 12(f). Despite the excessive motion practice, resolution of all pending motions turns on whether this court is the proper forum under the doctrine *forum non conveniens*. Accordingly, that issue is addressed first.

BACKGROUND

For purposes of a motion to dismiss, the court accepts all well-pleaded allegations in the complaint as true and draws all reasonable inferences in favor of the plaintiff. *Travel All Over the World, Inc. v. Kingdom of Saudi Arabia*, 73 F.3d 1423, 1429 (7th Cir. 1996). ISI is an Illinois corporation with its principal place of business in Riverwoods, Illinois. Amended Complaint ("Compl.") at ¶ 1. Scott & Aylen was an Ontario partnership and law firm. *Id.* at ¶ 2. In June 1999, Scott & Aylen merged with another Ontario law firm, Borden & Elliot, to form Borden Elliot Scott & Aylen. In March 2000, Borden Elliot Scott & Aylen merged with several partnerships to form Borden Ladner. [1] *Id.* at¶¶ 3-6.

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[1] Both Borden Ladner and the partners of Scott & Aylen move to dismiss on *forum non conveniens* grounds. The Seventh Circuit installed Borden Ladner as a "placeholder" until the proper defendant could be identified. A determination of the proper defendant is unnecessary. *See infra at* 10- 11. Thus, the court refers to Borden Ladner and Scott & Aylen interchangeably.

Dr. Bert Reitsma, a physician living in Ontario, invented the CombiVac, a device for draining surgical wounds. *Id.* at¶ 19. Reitsma contacted Yves Menard, a solicitor at Scott & Aylen, to incorporate a firm to exploit the invention. Reitsma also engaged Max Wood, a Scott & Aylen patent agent, to obtain patents for the invention. In turn, Wood hired a Michigan law firm to prosecute a patent application in the United States. In 1995, Reitsma licensed the worldwide rights to make and sell the invention to ISI Surgical Instruments Canada, Ltd. ("ISI Canada"), an Ontario corporation. Reitsma was the sole shareholder of ISI Canada, and served as its officer and director. *Id.* at ¶ 12. The license contained an Ontario choice of law and forum clause. However, the license did not transfer ownership of the pending patent applications. In 1996, ISI acquired ISI Canada. *Id.* at ¶ 13. ISI Canada's rights under the license agreement were assigned to ISI.

Shortly thereafter, Reitsma attempted to end the license. On behalf of Reitsma, Menard sent letters to ISI's worldwide customers informing them ISI rights in the invention were terminated. *Id.* at ¶¶ 44-46. To avoid liability, Wood advised ISI's customers it should cease using the product. *Id.* at ¶ 47. The letters claimed Reitsma held a patent on the device. However, ISI alleges Reitsma never held a patent for CombiVac. Indeed, ISI claims all patents were owned by ISI Canada. Reitsma entered into an agreement with Jokari/US, Inc. ("Jokari") and ISI Canada under which ISI Canada became the exclusive owner of CombiVac patents. *Id.* at ¶¶ 22-23, 35.

As a direct consequence of Scott & Aylen's letters, ISI alleges numerous customers terminated negotiations with ISI for manufacturing and distributing CombiVac. *Id.* at ¶¶ 61-64. Specifically, ISI identifies Medimade B.V. in The Netherlands and American Pharmaceutical Partners in California. *Id.* Meanwhile, Reitsma resigned from ISI. *Id.* at ¶ 34. Pursuant to the Jokari/Reitsma agreement, Reitsma was purportedly required to assign his rights in a pending U.S. patent application for CombiVac to ISI. When Reitsma refused, ISI's counsel requested Scott & Aylen transfer all CombiVac files to ISI's headquarters. *Id.* at ¶ 38. Scott & Aylen denied ISI's request. *Id.* at ¶ 39.

PROCEDURAL HISTORY

On November 25, 1998, ISI filed this suit against Scott & Aylen. This court dismissed the action for lack of personal jurisdiction and on *forum non conveniens* grounds. The Seventh Circuit vacated the dismissal order. The Court invoked Fed.R.Civ.P. 4(k)(2) *sua sponte* and held Scott & Aylen was subject to personal jurisdiction. *ISI Int'l v. Borden Ladner Gervais LLP,* 256 F.3d 548, 551 (7th Cir. 2001). However, the Court remanded for further analysis on whether this action should be dismissed on *forum non conveniens* grounds. The Court substituted Borden Ladner for Scott & Aylen because Scott & Aylen ceased to exist after the merger. The Court installed Borden Ladner as a "placeholder" until this court determined the proper party. On September 4, 2001, ISI filed its first amended complaint

identifying Borden Ladner as the sole defendant in this action.

In a related dispute, ISI was sued by Medimade B.V., a Dutch medical supply distributor, for defaulting on a note. *Medimade B. V. v. ISI International, Inc.*, No. 97 C 3827 (N.D. Ill. 1997) (Leinenweber, J.). In turn, ISI filed a third-party complaint against Reitsma seeking damages and a declaration that its license was valid. Reitsma never appeared or answered the complaint. The court entered a default judgment against Reitsma. Declaratory judgment was entered for ISI, as well as an award of $290 million in damages.

DISCUSSION

I. *Forum Non Conveniens*

The Seventh Circuit remanded for further analysis on whether this action should be dismissed under the doctrine of *forum non conveniens*. The court may dismiss a case on *forum non conveniens* grounds when it "best serves the convenience of the parties and the ends of justice." *Kamel v. Hill-Rom Company, Inc.*, 108 F.3d 799, 802 (7th Cir. 1997). An adequate alternative forum must be available. *Id.* In addition, the court must balance the private interests of the litigants and the public interests of the forum to determine the superior venue. *Golf Oil Corp. v. Gilbert*, 330 U.S. 501 (1947). The court has substantial flexibility in considering the relative importance of these factors. *Wilson v. Humphreys (Cayman) Ltd.*, 916 F.2d 1239, 1245 (7th Cir. 1990).

Dismissal is proper if the balance of conveniences suggests the chosen forum would be unnecessarily burdensome for the defendant or the court. *Piper Aircraft Co. v. Reyno*, 454 U.S. 235, 256 (1981). The *forum, non Conveniens* determination is left to the "trial court's sound discretion." *Kamel*, 108 F.3d at 802

A. Adequacy of Alternative Forum

Borden Ladner contends Ontario is the superior forum for this case. An alternative forum is available if all parties are amenable to process and are within the forum's jurisdiction. *Kamel*, 108 F.3d at 803. In addition, an adequate forum mandates the parties will not be deprived of all remedies or treated unfairly. *Id.* Borden Ladner contends Ontario is an adequate forum because it recognizes the torts of intentional interference with contractual relations, breach of fiduciary duty, malicious falsehood, and professional negligence. Mot. Dismiss, Ex. 3 at ¶ 4. While ISI does not contest that assertion, ISI claims it will be prejudiced in an Ontario court because it cannot introduce non-party deposition testimony at trial. Ontario Rule of Civil Procedure 36.1 permits parties to introduce deposition testimony with leave of court or consent of the opposing party. *Id.* at ¶ 6-7. In response, Borden Ladner consents to the introduction of any relevant deposition testimony. *Id.* Thus, ISI's concern is moot. Similarly, Borden Ladner agrees to waive any statute of limitations defenses in an Ontario court. *See Interpane Coatings, Inc. v. Australia and New Zealand Banking Group*, 732 F. Supp. 909, 918 (N.D. Ill.

1990) (recognizing waiver of statute of limitations defense in *forum non conveniens* dismissal). Jurisdiction and service of process are not at issue. Scott & Aylen and ISI are presently engaged in litigation on related matters in an Ontario court. Mot. Dismiss, Ex. 3 at ¶ 4; *Mora v. McDonald's Corp.*, No. 96 C 5957, 1997 WL 102546 (N.D. Ill. Mar. 6, 1997) (current litigation in foreign venue between the parties satisfies *forum non conveniens* determination). Finally, this court has previously deemed Ontario an adequate alternative forum. *See Berndorf Belt,Sys. v. Asocona Food Group Ltd,* No. 98 C 1055, 1998 WL 851496 (N.D. Ill. Dec. 3, 1998). Consequently, Ontario is an adequate alternative forum for this action.

B. Public Interest Factors

In balancing the public interest factors, a court should consider: (1) its own docket congestion; (2) local interest in resolving the controversy; and (3) the preference for a forum applying familiar law. *Piper,* 454 U.S. at 241 n.6. Ontario law predominates in this case. It is undisputed ISI's malpractice and contractual claims are governed by Ontario law. ISI's allegations of interference with contract revolve around the license agreement. That license agreement covers "any surgical would drainage system that is within the scope of an existing claim" in the original patent application and "all divisions and reissues thereof." *Id.* at ¶ 1. The agreement expressly selects Ontario law as the governing law. Mot. Dismiss, Ex. 3 at ¶ 12.5. In addition, the nature

and scope of Scott & Aylen's alleged malpractice is governed by the code of professional conduct of the Law Society of Upper Canada. Mot. Dismiss, Ex. 4 at ¶¶ 13-16. ISI responds by arguing that application of Ontario law is not complicated. The unsupported assertion is unavailing. To ensure a correct application of Ontario law, this court should not "delve into the tenets of an unfamiliar legal system." *Kamel,* 108 F.3d at 805.

While the Seventh Circuit indicated the Lanham Act claim "seems at home in a U.S. court," the need to apply unfamiliar foreign law outweighs the court's interest in one claim. *See Wells Fargo & Co. v. Wells Fargo Express Co.*, 556 F.2d 406, 431 (9th Cir. 1977) (Lanham Act claims subject to, *forum non conveniens* dismissal). The costs involved in hiring experts on Ontario law would be substantial. This court would need to expend considerable resources analyzing applicable Ontario contract and professional malpractice law. *See Kamel,* 108 F.3d at 802. In contrast, an Ontario court - indisputably an expert in Ontario law - would not face a comparable burden. On familiar ground, an Ontario court could bring this case to a speedier resolution. Indeed, Ontario courts presently move cases through their docket at a statistically faster rate. *See* Judicial Caseload Profile, Report to the Administrative Office of the U.S. Courts (2000) (average time from docketing to trial in the Northern District of Illinois: 27 months); Mot. Dismiss, Ex. 3 at ¶ 5 (average time from docketing to trial in Ontario: 21 months).

Ontario has a superior interest in this dispute. The

crux of this case involves the conduct of an Ontario law firm and its partners. Ontario has a strong interest in regulating and disciplining purported misconduct committed by Ontario attorneys. In addition, the license dispute is a localized controversy. The forum selection clause in the license agreement points to Ontario as the chosen forum. Mot. Dismiss, Ex. 3-3 at ¶ 12.5. The agreement was signed in Ontario between Ontario residents - ISI Canada and Reitsma. The transaction was facilitated by an Ontario law firm. In support of ISI's position, the Seventh Circuit noted the Jokari/Reitsma agreement had a Texas choice of law clause. *ISI Int'l.*, 356 F.3d at 553. However, a plain reading of the Jokari/Reitsma agreement does not disclose any choice of law clause. *See* Compl., Ex. D; Mot. Dismiss, Ex. 3. Nor does ISI advance that assertion before this court.

Futhermore, Canada has a greater interest in "policing the fraudulent activities of its own corporations[.]" *Pyrenee,* 984 F. Supp. at 1167. Scott & Aylen purportedly revoked licenses on patents its client did not possess. Although "[c]itizens or residents deserve more deference than foreign plaintiffs," *Piper,* 454 U.S. at 256, the Seventh Circuit recently instructed "given the ever-expanding realm of international commerce, many courts have discounted a plaintiff's United States citizenship when that plaintiff is an American corporation with extensive foreign business[.]" *Kamel,* 108 F.3d at 804. Significantly, ISI purportedly engaged a Canadian law firm to secure patents and licenses for its business transactions

worldwide. *See Hull 753 Corp v. Elle Flugzeugwerke.*, 58 F.Supp.2d 925, 929 (N.D. Ill. 1999) (applying the *Kamel* rationale to an Illinois corporation). Indeed, ISI's rights in the patent were originally assigned to an Ontario firm - ISI Canada - and then reassigned to ISI in Illinois. *See Pain v. United Tech. Corp.*, 637 F.2d 775, 797 (D.C. Cir. 1980) (deference to an assignees' forum choice diminished). Under these facts, Canada's concrete interests in the dispute outweigh any deference to ISI's choice of forum as the plaintiff. Consequently, the public interest factors favor resolution of this case in Ontario.

C. Private Interest Factors

Private interests include ease of access to proof; availability of compulsory process for unwilling witnesses; costs involved in compelling witnesses at trial; and other practical problems. *Gulf Oil*, 350 U.S. at 508. This court's inability to compel live testimony of key witnesses favors a finding of *forum non conveniens*. Reitsma and Wood are non-party Ontario residents who are beyond this court's power of compulsory process. *Pyrenee*, 984 F. Supp. at 1165. Reitsma is accused of engineering the scheme to defraud ISI's customers. In fraud cases, "live testimony is of utmost importance." *Pyrenee*, 984 F. Supp. at 1166. The factfinder should have the benefit of assessing the demeanor of witnesses at trial. *Europe & Overseas Commodity Traders S.A. v. Banque Paribas London*, 940 F. Supp. 528, 538 (S.D.N.Y. 1996); *Fustok v. Banque Populaire Suisse*, 546 F.Supp. 506,

511 (S.D.N.Y. 1982). In addition, the parties dispute whether Scott & Aylen represented Reitsma individually or ISI. Reitsma's testimony about his transactions with Scott & Aylen is critical to that determination. Wood's testimony about his representation of Reitsma or ISI is important to establish the breach of fiduciary duty claim. Significantly, Reitsma has already demonstrated his unwillingness to appear in Illinois. ISI instituted an action in this court against Reitsma. Reitsma did not answer the complaint or appear, but rather defaulted a $290 million claim. ISI advances nothing to suggest Reitsma would now appear.

As the plaintiff, ISI has an interest in cross-examining Reitsma before the factfinder. Nevertheless, ISI contends several of its witnesses would be unavailable in Canada, prejudicing the presentation of its case. ISI identifies American Pharmaceutical Partners (California) and Medimade B.V. (Netherlands). This court cannot compel out-of-state non-party witnesses to testify in Illinois. *See* Fed. R. Civ. P. 45(b)(2), 45(c)(3); *American General Assurance Co. v. Terry Miller Pontiac-GMC Truck, Inc.*, No. 98 C 7887, 1999 WL 436573, at *2 (N.D. Ill. June 22, 1999). Thus, ISI's concern is immaterial.

Relying on ISI's previous lawsuit in this court, the Seventh Circuit hypothecated Illinois could be an adequate forum. ISI Int'l., 256 F.3d at 553. However, the earlier lawsuit resulted in a default judgment. Default judgments are disfavored mechanisms for adjudicating cases. *Bieganek v. Taylor*, 801 F.2d 879, 881 (7th Cir. 1986). Indisputably, Reitsma's appearance in that action

would have been preferable. Similarly, the strong likelihood Reistma would fail to appear again favors resolution of this dispute in an Ontario court that could compel his appearance. Nor did the court in the previous lawsuit have the benefit of a *forum non conveniens* analysis because Reitsma never defended the action. *Piper,* 454 U.S. at 254 n.22 (defendant bears the burden of establishing *forum non conveniens).*

Finally, Borden Ladner faces the loss of its insurance coverage if this case proceeds in the United States. Borden Ladner's insurance coverage applies to actions filed in Canada only. Substantial prejudice to Borden Ladner adds additional weight to the conclusion that Ontario is the more appropriate forum for this dispute.

II. Motions to Dismiss and Strike

Borden Ladner and Scott & Aylen move to dismiss the actionfor lack of personal jurisdiction and failure to state a claim. *See* Fed.R.Civ.P. 12(b)(2); 12(b)(6). Because dismissal is warranted under *forum non conveniens,* the motions to dismiss are moot. Borden Ladner moves to substitute the former partners of Scott & Aylen as the proper defendants. Borden Ladner's liability for Scott & Aylen's conduct should be determined by an Ontario court. The transfer agreement between Borden Ladner and Scott & Aylen is governed by Ontario law. Mot. Dismiss, Ex. 4 at ¶ 3.7. An amendment to that agreement purportedly absolves Borden Ladner of liability for the instant dispute. *Id.* Whether that amendment is valid or

exempts Borden Ladner from liability under Ontario contract law are properly questions for an Ontario court. Indeed, the parties' dispute over the proper defendant under Ontario law reinforces the conclusion that Ontario is the superior forum for this action. Accordingly, the motion to dismiss Borden Ladner and substitute the partners of Scott & Aylen as defendants is moot. Finally, ISI brings a host of motions to strike Borden Ladner and Scott & Aylen's submissions. For similar reasons, these motions are moot.

CONLUSION

The motion to dismiss on *forum non conveniens* grounds is granted. The motions to dismiss for lack of personal jurisdiction and failure to state a claim; to dismiss and substitute the former partners of Scott & Aylen as defendants; and ISI's motions to strike Borden Ladner and Scott & Aylen's motions are denied as moot.

October 30, 2001

ENTER

/S/—Suzanne B. Conlon

Suzanne B. Conlon

United States District Judge

APPENDIX E

ORDER of the United States Court of Appeals for the Seventh Circuit - dated January 4, 2002

United States Court of Appeals

For the Seventh Circuit
Chicago, Illinois 60604

Submitted January 3, 2002
Decided January 4, 2002

Before

Hon. Frank H. Easterbrook, *Circuit Judge*

Hon. Daniel A. Manion, *Circuit Judge*

Hon. Terence T. Evans, *Circuit Judge*

ISI INTERNATIONAL, INCORPORATED an Illinois Corporation, Plaintiff-Appellant,	)	Appeal from the United States District Court for the Northern District of Illinois, Eastern Division. No. 98 C 7614 Suzanne B. Conlon, Judge
No. 01-3972 v.		
BORDEN LADNER GERVAIS LLP, successor to Scott & Aylen, Defendant-Appellee.		

ORDER

The following are before the court:

1. **SCOTT & AYLEN'S MOTION FOR LEAVE TO INTERVENE AS AN APPELLEE ON APPEAL,** filed on December 17, 2001, by counsel for the proposed intervenor.

2. **MEMORANDUM OF DEFENDANT-APPELLEE BORDEN LADNER GERVAIS LLP IN SUPPORT OF SCOTT & AYLEN'S MOTION FOR LEAVE TO INTERVENE,** filed on December 18, 2001, by counsel for the appellee.

3. **ISI INTERNATIONAL'S RESPONSE TO THE MOTION OF SCOTT & AYLEN FOR LEAVE TO INTERVENE ON APPEAL,** filed on December 27, 2001, by counsel for appellant.

4. **JOINT MOTION OF ALL PARTIES TO MAINTAIN RESTRICTED STATUS OF DOCUMENTS FILED UNDER SEAL,** filed on December 20, 2001, by counsel for the appellant, the appellee, and the proposed intervenor.

5. **SCOTT & AYLEN'S REPLY IN FURTHER SUPPORT OF MOTION FOR LEAVE TO INTERVENE AS APPELLEE ON APPEAL,** filed on January 3, 2002, by counsel for the proposed intervenor.

6. **SCOTT & AYLEN'S MOTION FOR LEAVE TO FILE EXHIBITS UNDER SEAL,** filed on January 3, 2002, by counsel for the proposed intervenor.

7. **REPLY OF DEFENDANT-APPELLEE BORDEN LADNER GERVAIS LLP TO ISI INTERNATIONAL'S RESPONSE TO SCOTT & AYLEN'S MOTION FOR LEAVE TO INTERVENE,** filed on January 4, 2002, by counsel for the appellee.

8. **ISI INTERNATIONAL'S CONSENT TO THE FILING OF A REPLY BRIEF BY BORDEN LADNER GERVAIS,``` LLP. WITH RESPECT TO THE MOTION BY SCOTT & AYLEN, AND WAIVER OF ANY OBJECTION TO THE FILING OF THAT REPLY BRIEF OUT OF TIME,** filed on January 4, 2002, by counsel for the appellant.

IT IS ORDERED that the district court's final order is summarily **VACATED,** and this cause is **REMANDED** to the district court with instructions to determine who is the proper defendant and to enter an order binding the proper party. The clerk of this court shall return the record on appeal to the district court; therefore, the motion to maintain the documents under seal is unnecessary. The mandate in this appeal shall issue forthwith.

APPENDIX F

MEMORANDUM OPINION AND ORDER of the United States District Court for the Northern District of Illinois, Eastern Division - dated February 14, 2002

IN THE UNITED STATES DISTRICT COURT FOR THE NORTHERN DISTRICT OF ILLINOIS EASTERN DIVISION

ISI INTERNATIONAL, INC.	)	
Plaintiff,	)	No. 98 C 7614
v.	)	Suzanne B. Conlon,
BORDEN LADNER GERVAIS,	)	Judge
LLP	)	
Defendant.	)	

MEMORANDUM OPINION AND ORDER

ISI International, Inc. ("ISI") sued Scott & Aylen for violatioins of the Lanham Act, 15 U.S.C. § 1051 *et seq.* (Count I), common law unfair competition (Count II), tortious interference with contractual relations (Count III), and professional malpractice and breach of fiduciary duty (Count IV). On March 3, 1999, this court dismissed the action for lack of personal jurisdicion and *forum non conveniens*. The Seventh Circuit vacated that order and remanded for additional findings on the *forum non conveniens* issue. The Seventh Circuit instructed this court to determine the proper defendant, and installed Borden Ladner Gervais, LLP ("Borden Ladner") as a "placeholder" defendant. Shortly

thereafter, ISI amended its complaint and sued Borden Ladner only. Consequently, this court concluded a determination of the proper defendant was unnecessary. This court dismissed the action on *forum non conveniens* grounds. *ISI Int'l v. Borden Ladner Gervais LLP*, No. 98 C 7614, 2001 WL 1382572 (N.D.Ill. Oct. 30, 2001). The Seventh Circuit vacated that order, and directed this court to first determine whether Scott & Aylen's former partners or Borden Ladner are the proper defendants in this action. ISI was granted limited discovery on this issue. Borden Ladner now moves to dismiss and substitute Scott & Aylen's former partners as defendants.

DISCUSSION

Fed.R.Civ.P.25© provides that in the event of a transfer of interest, the court may direct the transferee to be substituted in the action or joined with the original party. A transfer of interest includes a corporate acquisition where the original party no longes exists and a new entity has unreservedly assumed its rights and obligations. *Moore's Federal Practice 3d*, § 25.30. "Rule 25 does not substantively determine what actions survive the transfer of interest; rather, it provides substitution procedures for an action that does survive." *ELCA Enters. Inc. v. Sisco Equip. Rental & Sales, Inc.*, 53 F.3d 186, 191 (8th Cir. 1985). Substitution of parties under Rule 25(c) is in the court's discretion. *Otis Clapp & Son, Inc. v. Filmore Vitamin Co.*, 754 F.3d 738, 742 (7th Cir. 1985); *Chicago Dist. Council of Carpenters Pens. Fd. v.*

Artistry Woodworking, Inc., No. 92 2069, 1997 WL 12794, at *2 (N.D.Ill. Jan. 10, 1997).

The Seventh Circuit directed this court to determine whether Borden Ladner assumed Scott & Aylen's liabilities. Rule 25(c) provides the procedural mechanism for substitution; Ontario law controls whether Borden Ladner assumed Scott & Aylen's liabilities. *See* Advisory Comm. Notes (1961) to Fed.R.Civ.P.25 (stating that Rule 25 is "merely a procedural device . . . and does not affect any substantive issues which may be involved in the action"); *see also Panther Pumps & Equip. Co., Inc. v. Hydrocraft, Inc.*, 566 F.2d 8, 24 (7th Cir. 1977); 28 U.S.C. § 2072 (the Rules Enabling Act); Wright, Miller & Kane, *Federal Practice and Procedure 2d*, § 1958, p. 554.

This case involves two Ontario law firms - Borden Ladner and Scott & Aylen. Scott & Aylen changed its name on June 15, 1999 to Borden Elliot Scott & Aylen ("Borden Elliot"). Mot. Dismiss, Ex. 4, Weir Decl. at ¶ 4. Borden Elliot now exists as a separate legal entity in Ontario, registered as a general partnership under Canadian law. Mot. Dismiss, Ex. 5, Keith Decl. at ¶¶ 6-7. On February 29, 2000, Borden Elliot and Borden Ladner executed a transfer agreement whereby Borden Ellilot entered into partnership with Borden Ladner. The transfer agreement provides that Borden Ladner will assume all Borden Elliot liabilities listed in a February 29, 2000 audited financial statement. The audited financial statement identifies the ISI litigation as one of several liabilities. Further, the transfer agreement contains an express choice of law provision identifying

Ontario law as the governing law. Mot. Dismiss, Ex. 4., art. 3.7. On March 1, 2000, Borden Ladner and Borden Elliot executed a letter agreement that states Borden Ladner is not liable for legal claims arising before March 1, 2000. Borden Ladner relies on this letter agreement to substitute Scott & Aylen's former partners or Borden Elliot as defendants.

The validity and enforceability of the March 1, 2000 letter agreement involves complex questions of Ontario contract, partnership, and successor liability law. Borden Ladner contends a February 29, 2000 oral agreement between the two firms constitutes a collateral oral agreement that established a condition precedent to the transfer agreement. *See* Mot. Dismiss, Ex. A, Weir Decl. at ¶ 9; Reply Br., Ex. 1, Baker Decl. at ¶¶ 6-7. Borden Ladner further contends Ontario law allows the enforcement of a condition precedent oral agreement in the absence of an "integrated writing" provision in the contract. Reply Br., Ex. 1, Baker Decl. at ¶ 7. Because the transfer agreement does not contain an integrated writing clause, Borden Ladner argues the March 1, 2000 letter agreement is a valid memorialization of the February 29, 2000 oral agreement. ISI fails to submit its own declarations of Ontario legal experts to refute Borden Ladner's assertions. However, Borden Ladner did not address the legal effect of the March 1, 2000 letter agreement until its reply brief, when it submitted the declaration of Ontario lawyer G. Blaine Baker. *See* Reply Br., Ex. 1, Baker Decl. at ¶¶ 6-7. Previously, Borden Ladner rested on the plain language of the letter agreement to substitute Borden Elliot in this action. In

addition, Borden Elliot's liability for ISI's claims is governed by Ontario partnership law. Borden Ladner submits the declaration of Ontario lawyer Brian C. Keith, who contends under Ontario's Partnership Act § 10(1), "every partner in a firm is liable jointly with the other partners for all debts and obligations of the firm incurred while the person is a partner." Mot. Dismiss, Ex. 5, Keith Dec. at ¶ 8. The Partnership Act § 18(2) further provides: "A person who retires from a firm does not thereby cease to be liable for partnership debts or obligations incurred before the partner's retirement." *Id.* at ¶¶ 8-9. Under Ontario law, Borden Ladner argues it cannot be liable for debts created before the Borden Ladner-Borden Elliot partnership was formed.

ISI fails to address Ontario partnership law. Instead, ISI adopts a different analysis by contending Borden Ladner is the successor in interest to Borden Elliot. While courts have applied successor liability law to determine the proper defendant under Fed. R. Civ. P. 25(c), successor liability is a matter of state substantive law. In this case, successor liability is a question of Ontario law. *See e.g. LiButti v. United States*, 178 F.3d 114, (2d Cir. 1999)(under New Jersey law, transferee is liable where it agrees to assume transferor's debts); *see also Herra v. Singh*, 118 F.Supp.2d 1120 (E.D. Wa. 2000); *Moore's Federal Practice 3d*, § 25.30(3). Neither party addresses Ontario's successor liability law.

Under Rule 25(c), the court has discretion to add Borden Elliot as a defendant but retain Borden Ladner as a party. *See Moore's Federal Practice 3d*, § 25.30(4); Wright, Miller & Kane, *Federal Practice and Procedure 2d*,

§ 1958, p. 555. In *Minnesota Mining & Mfg. Co. v. Eco-Chem, Inc.*, 757 F.2d 1256, 1259 (Fed. Cir. 1985), the court permitted joinder of a new defendant, "not to determine its own liability, but merely because it succeeded to the assets from which [defendant] may satisfy its judgment." *Minnesota Mining* did not determine the defendant's ultimate liability for the action, but permitted joinder to facilitate litigation and convenience. Similarly, in *Federal Deposit Insurance Corp. v. Tisch*, 89 F.R.D. 446, 448 (E.D.N.Y. 1981), the court held joinder of a trustee was preferable to substitution because participation of both defendants was the most efficient method to insure all issues would be fully litigated. Moreover, in *Otis Clapp & Son*, 754 F.3d at 742, the Seventh Circuit affirmed the trial court's denial of joinder under Rule 25© where the defendant may have transferred interest to another party. The Court noted plaintiff could renew its substitution motion in proceedings to enforce judgment, and chose not to disturb the trial court's exercise of discretion. *Otis Clapp & Son*, 754 F.2d at 742-43.

Minnesota Mining, *Tisch*, and *Otis Clapp* are instructive. At present, the most efficient resolution of the dispute over the proper defendant is the joinder of Borden Ladner and Borden Elliot as defendants. This court previously determined ISI's action must be dismissed under *forum non conveniens*. *ISI Int'l*, 2001 WL 1382572, at *5. Consistent with that result, the court hesitates to delve into complex issues of Ontario contract, partnership, and successor liability law that are more appropriately resolved by an Ontario court.

Further, this court declines to make findings of fact and conclusions of law on Borden Ladner's liability under Ontario law that could later bind an Ontario court under principles of comity or *res judicata*. *See e.g. Allendale Mutual Ins. Co. v. Bull Data Sys.*, Inc. 10 F.3d 435, 433 (7th Cir. 1993); *Praxair, Inc. v. Slifka*, No. 98 C 7270, 1999 WL 498604 at *8 (N.D.Ill. July 7, 1999). Indeed, Borden Ladner's purported assumption of liability for Borden Elliot's actions involves a determination of an ultimate issue in this case. Faced with a sparse record consisting of several declarations from Ontario lawyers and no authority from ISI, the court cannot make an informed decision on complex issues of Ontario law. *See Centillon Data Sys., Inc. v. American Mgmt. Sys. Inc.*, 200 F.R.D. 618, 619 (S.D.Ind. 2001) (denying substitution motion where movant failed to properly demonstrate a transfer in interest occurred). And to further develop the record through an evidentiary hearing would result in a trial on the merits. *See Alfadda v. Fenn*, No. 89 C 6217, 1993 WL 526065, at *3 (S.D.N.Y. Dec. 16, 1993) (declining to hold an evidentiary hearing on a Rule 25© motion because it would "foreshadow the actual trial" on liability; permitting joinder of parties instead); *accord Luxliner P. L. Export Co. v. RDI/Luxliner, Inc.*, 13 F.3d 69, 72 (3d Cir. 1993) (factual disputes in a Rule 25 © substitution motion cannot be determined by weighing affidavits, courts should utilize a Rule 56 summary judgment standard). Because Ontario is the appropriate forum for this action, an evidentiary hearing by an Illinois court applying Ontario law would not be a sound exercise of judicial discretion.

Significantly, a determination on Borden Ladner's liability for the ISI litigation is unnecessary to identify the proper defendants under Fed. R. Civ. P. 25(c). "Joinder or substitution under Rule 25© is entirely a matter of convenience, and regardless of whether either is ordered, the respective substantive rights of the transferor or transferee are not affected." *Alfadda*, 1993 WL 526065, at *4 (quoting *Moore's Federal Practice 2d* § 25.08). Indeed, the court may join a defendant because it owns the assets that could be used to satisfy judgement. *Minnesota Mining*, 757 F.2d at 1263 (joining defendant that did not exist when the alleged conduct took place). Under the transfer agreement, Borden Ladner owns Borden Elliot's current "assets, interests, property, and undertakings." Mot. Dismiss, Ex. 4, Weir Decl. at ¶¶ 4-5; *see also Wainwright v. Kraftco Corp.*, 58 F.R.D. 9, 13 (N.D.Ga. 1973) (permitting joinder under Rule 25© where new defendant could be liable because it purchased assets of current defendant). Thus, joinder of Borden Ladner and Borden Eliot would facilitate resolution of this action. *See also Television Reception Corp. v. Dunbar*, 426 F.2d 174 (6th Cir. 1970); *Select Creations, Inc. v. Paliafito America, Inc.*, 852 F.Supp. 740, 768 n. 40 (E.D.Wis. 1994).

As a matter of law, the court cannot conclude Borden Ladner absolved itself of liability for the ISI litigation under Ontario law. Borden Elliot and Borden Ladner exist as separate partnerships under Canadian law. Borden Ladner and Borden Elliot are engaged in their own partnership arrangement pursuant to the February 29, 2000 transfer agreement. Borden Elliot is

comprised of Scott & Aylen's former partners. *See* Resp. Br., Ex. C (listing Borden Elliot and Borden Ladner partners); Ex. D, Partnership Agmt., at art. 4.3. And Borden Ladner's partners are identical to Borden Elliot partners. For present purposes, Borden Ladner and Borden Elliot must be joined as the proper defendants in this action. In the alternative, Borden Ladner moves to dismiss on *forum non conveniens* grounds. In remanding the action to this court, the Seventh Circuit did not address the court's order dismissing this action under *forum non conveniens*. The present dispute over the proper defendant reinforces the conclusion that ISI's action belongs in Ontario, not Illinois. The court dismisses this action under *forum non conveniens* for the reasons set forth in the October 30, 2001 memorandum opinion and order.1

CONCLUSION

Borden Ladner's motion to substitute defendants is denied. Pursuant to Fed.R.Civ.P.25(c), Borden Ladner and Borden Elliot are joined as the proper defendants in this action. Borden Ladner's motion to dismiss under *forum non conveniens* is granted for the reasons set forth in the October 30, 2001 memorandum opinion and order.

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1 Borden Ladner's motion to dismiss for lack of personal jurisdiction under Fed.R.Civ.P. 12(b)(2) is moot.

February 14, 2002

ENTER:
–/S/–Suzanne B. Conlon
Suzanne B. Conlon
United States District Judge

APPENDIX G

Order of the United States Court of Appeals for the Seventh Circuit - dated January 21, 2003

In the
United States Court of Appeals
For the Seventh Circuit

No. 02-1564

ISI INTERNATIONAL, INC.,

Plaintiff-Appellant,

v.

BORDEN LADNER GERVAIS LLP and
BORDEN, ELLIOT, SCOTT & AYLEN

Defendants-Appellees.

Appeal from the United States District Court
for the Northern District of Illinois, Eastern Division.
No. 98 C 7614—**Suzanne B. Conlon**, *Judge*.

Argued December 3, 2002-Decided January 21, 2003

Before EASTERBROOK, MANION, and EVANS, *Circuit Judges*.

EASTERBROOK, *Circuit Judge*. The first time this case was here, we reversed the district court's decision that it lacked personal jurisdiction over the defendant, a

Canadian law firm, and remanded so that the judge could evaluate other arguments. See *ISI International, Inc. v. Borden Ladner Gervais LLP*, 256 F.3d 548 (7th Cir. 2001). The district judge then dismissed the case a second time, invoking the doctrine of *forum non conveniens* and relegating plaintiff to the Canadian forum (where the law firm has already filed an action to keep the dispute warm). The judge determined that the balance of convenience tips so strongly in Canada's favor that it overcomes the strong presumption in favor of honoring the plaintiff's choice of forum. See *Piper Aircraft Co. v. Reyno*, 454 U.S. 235, 255 (1981); *Gulf Oil Corp. v. Gilbert*, 330 U.S. 501, 508 (1947). Appellate review of this decision is deferential.

Only a brief recap is necessary, given our earlier opinion. Bert Reitsma, a Dutch national living in Canada, invented a medical device that he licensed to ISI Surgical Instruments Canada, Ltd. (incorporated in Ontario). ISI Canada was acquired by ISI International (incorporated and with headquarters in Illinois) in order to combine Reitsma's invention with an innovation owned by Jokari/US, Inc. (a Texas corporation). Reitsma had a falling out with other principals of ISI International and asked Scott & Aylen, a partnership of solicitors based in Ottawa, to withdraw pending patent applications and warn ISI International's customers that it lacked any rights to Reitsma's invention. Scott & Aylen did so, and ISI International's business crumpled. It sued Reitsma, who was ordered to pay $ 290 million in damages; the judgment also confirmed that ISI

International, not Reitsma, owns the intellectual property. (It reinstated the patent applications and since our last decision has received a U.S. patent on Reitsma's invention.) In this suit, begun against Scott & Aylen and continued against its successors, ISI International contends that Scott & Aylen violated not only U.S. trademark law but also fiduciary duties that the law firm owed to ISI International as a client. Scott & Aylen replies that ISI International was never its client and that it owed ISI International no duty of loyalty.

The district judge concluded that the suit should proceed in Ontario not only because more potential witnesses are located in Canada than the United States but also because a Canadian court best knows the Canadian law of lawyer-client relations. Neither of these reasons is strong. Travel between Ontario and Illinois requires only a short and inexpensive journey; Ottawa is closer to Chicago than is New York City. Moreover, the district judge's need to learn Canadian fiduciary law has a mirror image: if the suit proceeds in Canada, the Canadian judge may need to learn and apply the U.S. rules under the Lanham Act, which supplied the basis of federal jurisdiction. The Canadian law of attorney-client relations is hardly such an alien body of doctrine that only a judge steeped in its tradition could fathom its tenets. Nor is a U.S. judge's desire to avoid the burden of mastering a new legal subject an adequate reason to send litigants packing. And although procedure in Canada departs in some respects from that in the United States, so there is a chance that some evidence

admissible here would be inadmissible there, this also is a mirror image--not only with respect to admissibility questions but also with respect to compulsory process (some witnesses who could be compelled to appear in the United States could not be compelled to give live testimony in Canada, and the reverse). None of these considerations so strongly supports the Canadian venue that the plaintiff's choice must be overridden.

Nonetheless, two additional considerations lead us to conclude that the district court did not abuse its discretion in relegating ISI International to the Canadian forum. First, Scott & Aylen no longer exists. It was succeeded as part of a merger by Borden Elliot Scott & Aylen, and although this partnership continues to exist all of its partners practice through Borden Ladner Gervais LLP, the survivor. The parties dispute which among the entities, and who among the individual partners, is liable for Scott & Aylen's debts. The district judge was unable to resolve this question, the parties have not reached agreement on it, and an Ontario court may have to do so no matter what, if an effort is made to collect in Ontario any eventual judgment. If this aspect of the parties' dispute is going to land in Ontario no matter what, why not handle the whole suit there?

Second, and more important, the Lanham Act claim that justified the presence of this case in federal court turns out to be untenable. ISI International contends that Scott & Aylen violated §43(a)(1)(B), 15 U.S.C. §1125(a)(1)(B), by sending letters misleadingly asserting

that ISI International lacks any right to license or practice Reitsma's invention and falsely asserting that Reitsma himself had a patent. (Scott & Aylen concedes knowing that Reitsma never obtained a patent in his own name, although it represented otherwise in the letters sent to ISI International's clients.) After our first decision in this case, *First Health Group Corp. v. BCE Emergis Corp.*, 269 F.3d 800 (7th Cir. 2001), held that letters sent to customers do not come within the scope of §43(a)(1)(B)—which is limited to false or misleading "commercial advertising or promotion" and does not cover all deceitful business practices. Recognition that ISI International's Lanham Act claim fails on the merits does not deprive the district court of jurisdiction, for the claim was not frivolous, see *Bell v. Hood*, 327 U.S. 678 (1946), but it does deprive ISI International of any substantial interest in having the remainder of the suit resolved in federal court. Indeed, even if we were to declare that the district court abused its discretion by using the doctrine of *forum non conveniens*, that court would be free to relinquish supplemental jurisdiction now that the claim under federal law has been resolved, see 28 U.S.C. §1367(c)(3), a step that would have the same practical effect as the use of *forum non conveniens*. (One of Scott & Aylen's partners is a U.S. citizen domiciled in Canada; she has no state citizenship, so the diversity jurisdiction is unavailable. See *Newman-Green, Inc. v. Alfonzo-Larrain*, 490 U.S. 826, 829 (1989).)

Because no claim under U.S. federal law remains in the case, and the parties are not of diverse citizenship,

the most appropriate place for this litigation is Ontario (for, as the first appeal showed, it could be difficult to obtain personal jurisdiction over Scott & Aylen or its successors in any state court). Accordingly, the judgment of the district court is

AFFIRMED.

A true Copy:

Teste: _____

Clerk of the United States Court of Appeals for the Seventh Circuit

APPENDIX H

Letter from Scott & Aylen to American Pharmaceuticals Partners, Inc. - dated January 24, 1997 (Exhibit 25 to the Affidavit of Johannes A. Aschman)

[Scott & Aylen Letterhead]

BY FACSIMILE: (310) 264-7775

January 24, 2997

American Pharmaceuticals Partners, Inc.
3212 Newbraska Avenue
SANTA MONICA, CA
90404 U.S.A.

Attention: Dr. Patrick Soon-Shiong, M.D., Chairman

Dear Sir:

SURGICAL DRAINAGE SYSTEM KNOWN AS COMBIVAC
Our File Number: 15590-2/YJM

We are the Solicitors for Dr. Bert Reitsma, the owner of the patent for the above-mentioned product.

Our client had originally entered into a License Agreement with ISI Surgical Instruments Canada Limited granting that latter company a license to manufacture and sell the above-mentioned product.

The said license was later assigned to ISI International Inc.

We wish to advise you that our client has now terminated the license in favor of ISI International Inc. and accordingly, our client is the sole owner of any rights to the said product.

In view of the above, we hereby put you on notice that ISI International Inc. has no right to proceed with the manufacturing or sale of the said product. Accordingly, you should not comply with any request from ISI International Inc. for the manufacturing of the said product. If you do, you will be assisting ISI International in the infringement of patent rights in favor of our client and you may be held responsible for any damages suffered by our client as a result of this infringement of patent. We therefore trust that you will cease and desist from dealing in any way with the said product except at the request of our client.

If you have any questions, please do not hesitate to contact the undersigned.

Yours truly,

Yves J. Menard

sb

APPENDIX I

Declaration of Carol J. Brown (attached as a supplemental appendix to the Appellate Brief of Borden Elliot Scott & Aylen, (formerly "Scott & Aylen")

DECLARATION OF CAROL J. BROWN

I, Carol J. Brown, make the following declaration, in accordance with 28 U.S.C. § 1746.

1. I was born in Oneida, New York on January 17, 1950. My parents are United States citizens. I lived with my parents in Camden, New York until 1968, when I enrolled at Middlebury College in Vermont.

2. I received a B.A. from Middlebury in 1972, and a M.A. from Middlebury Graduate School of French at the Universite de Paris V (Sorbonne), Paris, France in 1974.

3. In January 1975, I moved to Toronto, Canada. I worked in Toronto until 1979, when I enrolled at the University of Toronto Faculty of Law. I was conferred a LL.B. in 1982.

4. At the time that I was enrolled at the University of Toronto Faculty of Law, Canadian citizenship was a requirement for admission to the Law Society of Upper Canada. Because I intended to practice law in Canada, I applied for Canadian

citizenship and became a Canadian citizen on August 11, 1981.

5. In connection with becoming a dual citizen of Canada, I did not intend to renounce my U.S. citizenship and did not want my acts to be construed as such. To confirm my intentions regarding my U.S. citizenship, I executed an affidavit attesting to the fact that it was my intention and my wish to remain a U.S. citizen. I executed this affidavit around the same time that I became a dual citizen of Canada. I do not recall with which U.S. federal agency it was filed, but believe it may have been with the Immigration and Naturalization Service.

6. I have always been a U.S. citizen. I vote in U.S. federal elections, most recently the 2000 U.S. presidential election. I pay U.S. federal taxes and have a U.S. passport, which has regularly been renewed.

7. I was called to the Ontario Bar on April 10, 1984. I worked in Toronto after graduating from the University of Toronto Faculty of Law. In 1985, I moved to Ottawa and joined Scott & Aylen. I was a partner of the firm when ISI International, Inc. filed its U.S. lawsuit, 98 C 7614, in 1998. I have remained with the firm at all times since joining in 1985, and am also currently a partner of Borden Ladner Gervais LLP.

8. I have resided in Ottawa at all times since 1985, other than temporary trips and vacations. I am

married to a Canadian citizen, with whom I reside. I hold an Ontario drivers' license and a Canadian passport. I vote in municipal, provencal, and federal elections in Canada. I attend church in Ottawa. I am a past member of the Board of Directors of the Resource Educational Advocacy Center for the Handicapped, and the Board of Directors of the Odyssey Theatre Company, both located in Ottawa.

9. I am also a member of various professional organizations in Canada. I am an officer, executive member, and secretary of the Ontario Bar Association, and the chair of the Canadian Bar Association National Awards Committee and the immediate past chair of the Canadian Bar Association National Civil Litigation Section. I am a member and past chair of the Ontario Bar Association Awards Committee. Since 1996, I have also served as a civil litigation lecturer in the bar admissions course for the Law Society of Upper Canada.

10. I intend to reside in Ottawa for the foreseeable future.

I declare under penalty of perjury under the laws of the United States of America that the forgoing is true and correct. Executed on this 6th day of June, 2002.

-/S/-Carol J. Brown
Carol J. Brown